The Illinois State Toll Highway Authority ("Tollway") held the regularly scheduled Audit Committee meeting on Thursday, December 17, 2020. The meeting was held pursuant to the By-Laws of the Tollway upon call and notice of the meeting executed by Chairman Willard S. Evans, Jr. and posted in accordance with the requirements of the Open Meetings Act, 5 ILCS 120/1, et seq.

Due to necessary precautions relating to COVID-19, in accordance with the Gubernatorial Disaster Proclamation and current conditions, and consistent with the Open Meetings Act, it was determined by Chairman Willard S. Evans, Jr. that an in-person meeting of the body was neither practical nor prudent. In compliance with all conditions of Section 7(e) of the Open Meetings Act, 5 ILCS 120/7(e), the Committee meeting was conducted by audio conference. A telephone access number was provided for members of the public to monitor and/or participate in the meeting.

**Call to Order / Roll Call**

Committee Chair Alice Gallagher called the meeting to order at approximately 9:31 a.m., stating that this is the regularly scheduled meeting of the Audit Committee of the Tollway Board of Directors. She then asked the Board Secretary to call the roll, those Directors present and absent being as follows:

<table>
<thead>
<tr>
<th>Committee Members Present:</th>
<th>Other Directors in Attendance:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee Chair Alice Gallagher</td>
<td>Director Stephen Davis</td>
</tr>
<tr>
<td>Director James Connolly</td>
<td>Director James Sweeney</td>
</tr>
<tr>
<td>Director Scott Paddock</td>
<td>Chairman Willard S. Evans, Jr.</td>
</tr>
<tr>
<td>Director Gary Perinar</td>
<td>Director Karen McConnaughay</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Committee Members Not Present:</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
</tr>
</tbody>
</table>

The Board Secretary declared a quorum present.

**Public Comment**
Committee Chair Gallagher opened the floor for public comment, requesting that speakers limit their remarks to three minutes. Ms. Summer Harris asked for a description of the Audit Committee’s function. The Board Secretary responded that the established meeting format only allows for statements by the public during the public comment portion of the meeting. Ms. Harris requested that in future meetings the format allow for questions and responses. Committee Chair Gallagher responded that the suggestion would be taken under consideration.

Committee Chair’s Items

Committee Chair Gallagher entertained a motion to approve Committee Chair’s Item 1, the Minutes of the regular Audit Committee meeting held on August 20, 2020, as presented. Director Connolly made a motion to approve the minutes, seconded by Director Perinar. Committee Chair Gallagher asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Connolly, Director Perinar, Director Paddock, Committee Chair Gallagher (4)

Nays: (0)

The motion PASSED.

Committee Chair Gallagher stated that without objection, action on Committee Chair’s Item 2, Authorization to implement the Enterprise Risk Management Program, will be deferred until after consideration in Executive Session of the full Board to allow for any questions involving internal audit controls and identification of potential risk areas. She stated that Cassaundra Rouse, Chief Strategy & Implementation Officer, will be providing an overview of the Enterprise Risk Management Program to the Committee in the latter portion of the meeting.

Having no further items, Committee Chair Gallagher called on Executive Director José Alvarez.

Committee Business

Internal Audit Department Update: Executive Director Alvarez introduced Shaun Farmer, Chief Internal Auditor, to present to the Committee an update on Internal Audit Department activity and the External Audit results. See attached presentation.

During the presentation, Mr. Farmer discussed the Cycle Audit Schedule, audit highlights and the proposed 2-Year Audit Plan.

Enterprise Risk Management: Executive Director Alvarez introduced Cassaundra Rouse, Chief Strategy & Implementation Officer, to present to the Committee an overview of the proposed
Enterprise Risk Management Program, a structured, organization-wide approach to monitor, identify, assess and manage risk. See attached presentation.

Items for Consideration

Internal Audit

Item 1: Approval of 2-Year Audit Plan.

Committee Chair Gallagher entertained a motion to approve Internal Audit Item 1, as presented. Director Connolly made a motion to approve the minutes, seconded by Director Perinar. Committee Chair Gallagher asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Connolly, Director Perinar, Director Paddock, Committee Chair Gallagher (4)

Nays: (0)

The motion PASSED.

Adjournment

There being no further Committee business, Committee Chair Gallagher entertained a motion to adjourn. Director Paddock made a motion to adjourn, seconded by Director Perinar. Committee Chair Gallagher asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Connolly, Director Perinar, Director Paddock, Committee Chair Gallagher (4)

Nays: (0)

The motion PASSED.

The meeting was adjourned at approximately 10:05 a.m.

Minutes taken by: ____________________________

Christi Regnery
Board Secretary
Illinois State Toll Highway Authority
INTERNAL AUDIT UPDATE

Shaun Farmer, Chief Internal Auditor
December 17, 2020
AGENDA

Audit Committee schedule
Internal Audit Charter
Internal Audit resources
Audit Plan considerations
Internal Audit Plan
Next steps
April
• Summary of Internal Audit’s purpose, authority and responsibility
• Results relative to approved Audit Plan
• Results from prior year
• Governance issues/concerns

August
• Results of the annual external audit

December
• Current state of Internal Audit resources
• Approval of two-year audit plan
• Audit Charter review (if needed)
INTERNAL AUDIT CHARTER

Purpose
Accountability and authority
Responsibilities
Scope of work
Independence
Reporting process
Periodic assessments
DEPARTMENT ORGANIZATION

Chief Internal Auditor
Shaun Farmer

Internal Audit Manager (Construction)

Internal Audit Manager (Business)

Internal Auditor

Internal Auditor

Internal Auditor

Information Systems Auditor

Executive Secretary

Filled position
Internal Audit confirms that there are no significant facts or matters that impact or impair our independence as auditors.
Annual ongoing risk-based exercise to identify concerns, potential risk areas to be considered for inclusion in annual Audit Plan

Resources, skill set mix of Internal Audit staff

Key factors:

- Potential for impact on agency wide policies and procedures
- Changes in systems, processes, policies or procedures
- Results and time since last audit engagement
- Extent of government regulation
- Information and communication
- Transaction volume
- Staffing levels
<table>
<thead>
<tr>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel/Payroll</td>
<td>Budget Accounting and Reporting</td>
</tr>
<tr>
<td>Purchasing and Procurement (Procurement Process)</td>
<td>Electronic Data Processing</td>
</tr>
<tr>
<td>Agency Organization and Management (AOM) Cycle</td>
<td>Administrative Support Services</td>
</tr>
<tr>
<td>Expenditure Cycle</td>
<td></td>
</tr>
<tr>
<td>Petty Cash (if disbursements exceed $5,000) OR Grants (if Tollway receives any grants)</td>
<td></td>
</tr>
<tr>
<td>Revenues and Receivables</td>
<td></td>
</tr>
<tr>
<td>Property, Equipment and Inventory</td>
<td></td>
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<td></td>
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</tbody>
</table>
2021 INTERNAL AUDIT PLAN

Allocation of available hours

- Systems Development Reviews
  - 670 hours
  - 6%

- Mandatory Internal Control Reviews
  - 3,904 hours
  - 35%

- Internal Audit Risk Based Reviews
  - 1,793 hours
  - 16%

- Internal Audit Special Projects
  - 675 hours
  - 6%

- Risk Based Reviews of External Parties
  - 1,575 hours
  - 14%

- OIG Investigations
  - 160 hours
  - 1%

- Management, Training and Administration
  - 2,452 hours
  - 22%
2022 INTERNAL AUDIT PLAN

Allocation of available hours

- Systems Development Reviews: 755 hours (7%)
- Mandatory Internal Control Reviews: 4,208 hours (38%)
- Internal Audit Risk Based Reviews: 1,752 hours (16%)
- Internal Audit Special Projects: 675 hours (6%)
- Risk Based Reviews of External Parties: 1,186 hours (11%)
- OIG Investigations: 160 hours (1%)
- Management, Training and Administration: 2,444 hours (22%)
2020 AUDIT ACTIVITY HIGHLIGHTS

- Completed all required cycle audits
- Performed additional reviews of construction processes
- On-time submittal of annual Internal Control Certification Letter
- Actively managed open audit findings, partnered with business for closure
- Liaison for the 2019 annual External Audit (financial, compliance, IT)
- Key member in the implementation of the Tollway’s ERM and SOX programs
- Procured TeamMate+ controls audit software
- Oversight of Tollway’s annual PCI review
- Annual September 30 letter to the Executive Director
- Filled key vacant positions to achieve optimal staffing levels
Approval of the 2021-2022 two-year Tollway Audit Plan
THANK YOU
ILLINOIS TOLLWAY
Enterprise Risk Management

Chief Strategy and Implementation Officer
December 17, 2020
Enterprise Risk Management (ERM) Overview
Tollway ERM Framework
Risk Identification
Key Areas of Review
Risk Mitigation Plans
Next Steps
What is ERM?

- A structured, organization-wide approach to monitor, identify, assess and manage issues and uncertainties that threaten fulfillment of our mission, programs and operations.
- ERM is an inherent and critical component of leaderships strategy development and execution, as well as a component of Board oversight.
EVERYONE HAS A ROLE

• Board
  • Oversight
  • Direction
• Senior Management
  • Implement, execute, monitor, report
• Staff—Roles tailored to position, risk awareness
Tollway ERM Framework

1. Business Objectives
   - Specific
   - Measurable
   - Aligned
   - Realistic
   - Timely

2. Identify and Categorize
   - Service Model
   - Operational
   - Capital and Infrastructure
   - Reputational
   - Regulatory and Ethics

3. Assess and Prioritize
   - Impact
   - Likelihood

4. Address and Prepare
   - Understand preparedness
   - Develop mitigation
   - Leverage opportunity

5. Governance and Oversight
   - Board of Directors
   - Audit Committee
   - Enterprise Risk Management Committee
   - Risk Owners
   - Business Liaisons

6. Monitor and Assure
   - Assess, Monitor, and Audit
   - Report and Respond

Presented by Cassaundra Rouse on December 17, 2020
## ERM Overview

<table>
<thead>
<tr>
<th>ERM Component</th>
<th>Board/Committee</th>
<th>Senior Management/ERM Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERM Plan</td>
<td>Support/Track Progress</td>
<td>Develop and Implement</td>
</tr>
<tr>
<td>Risk Tolerance</td>
<td>Debate and approve</td>
<td>Establish and Manage</td>
</tr>
<tr>
<td>Risk Policies</td>
<td>Approve and Monitor</td>
<td>Develop and Implement</td>
</tr>
<tr>
<td>Risk Strategies</td>
<td>Debate Approve Monitor</td>
<td>Formulate and Execute</td>
</tr>
<tr>
<td>Key Risks</td>
<td>Provide input and oversight</td>
<td>Manage and Measure</td>
</tr>
<tr>
<td>Risk Reporting</td>
<td>Monitor and Feedback</td>
<td>Analysis and Context</td>
</tr>
</tbody>
</table>
Enterprise Risk Management
Process Overview

- Hold meetings with functional leaders to identify key risks and opportunities.
- Perform risk ranking of identified risks based on inherent likelihood and impact.
- Identify risk owners.
- Risk owners develop risk responses and mitigation approaches.
- Evaluate the mitigation approaches and discuss with the steering committee.
- Communicate risk environment and status of mitigation plans to Board or Committee, as identified by management.
Identification of ERM Risks

Risk Intelligence Sources
- Senior leaders and business area subject matter experts
- Existing issues management lists
- Strategic business objectives for department

Risk Consolidation Process
- Identified risks consolidated via business area-specific discussions held

Identification of Enterprise-Level Risks
- Business area-identified risks are aggregated, where appropriate, and assessed using likelihood and impact criteria
- ERM Committee evaluate and risk rank proposed risks
- Risk Owners provide mitigation strategies and prioritize for further action/review
- Business areas continue to own risk mitigation plans specific to their business

Identify potential risks for further discussion prioritization by business areas
Enterprise-level risks prioritized for further action/review
Consolidate into business area risks

Presented by Cassandra Rouse on December 17, 2020
ERM Management

- Chief Strategy and Implementation Officer
- ERM Committee
- ERM Liaisons from within the business

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
</table>

**Risk Mitigation Plan Monitoring and Reporting**

**Chief Strategy and Implementation Officer (Core Lead)**

- Review Risk Mitigation Plans January–December
- Identify Emerging Risks
- Risk Prioritization
- Enterprise-level Consolidation and Prioritization
- ERM Risk Documentation, Mitigation Plan Developments and Updates
- Support Business Planning, Identification of Emerging Risks, Annual Reporting Activity
Enterprise Risk Management Accomplishments

- Established ERM Steering Committee and ERM Charter
- Conducted kickoff meeting and initial training session for ERM Steering Committee members
- Conducted interviews with risk owners organization-wide, reviewed pertinent documentation and documented key risk themes for inclusion in the ERM Risk Register
- ERM Steering Committee met to discuss key risk themes and assigned the initial risk rankings
- Collected and consolidated preliminary mitigation strategies from identified risk owners for inclusion in ERM program materials
## Service Model

Service model risks challenge how the Illinois Tollway can adapt to an ever-changing environment while being innovative to meet the needs of the public and remain competitive and fiscally sound. These risks impact the relevance of the tolling highways where approaches to commuting, safety, and payments are changing.

## Operational

Operational risks are related to the potential for inadequate processes, people, and systems that affect an organization's ability to function efficiently and effectively. Operational agility is critical to staying competitive, flexible, and relevant as strategies and business models shift.

## Capital & Infrastructure

Capital and infrastructure risks are related to the ability of the Tollway to effectively execute and deliver the capital plan and support its roadways, which in turn impacts the agency's financial health and long-term sustainability.

## Reputational

Reputational risks may cause negative implications surrounding relationships, public trust, and perception of other stakeholders. Organizations with reputational awareness and control over their increasingly vast presence in the media can reduce the risk of damaging a reputation they have spent years building.

## Regulatory & Ethics

Tollway leadership and governance bodies are expected to remain compliant with a growing array of state, local, and federal regulations. Failure to meet compliance standards can lead to consequences ranging from loss of funding, regulatory findings and penalties, and increased scrutiny from regulators and other governing bodies.
ERM Program Strength

- A formal ERM program has been established, which includes an ERM Committee
- Risks have been identified and assessed
- Risk mitigation strategies have been identified
- Internal Audit is part of the ERM Committee
Next Phases of ERM Process

- Continue to evaluate and assess the current ERM risk universe
- Continue with reporting formats and ERM Committee meeting cadence
- Utilize key risk indicators to enhance risk monitoring effectiveness
- Ensure sufficient resource allocation to Strategy Department for ERM program and ongoing mitigation activities and oversight
- Board formal adoption of the Tollway ERM Program
THANK YOU